

2008-2009 PERFORMANCE PLAN – Portfolio Manager, Corporate Governance (B. Sherwood-McGrew)

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Quantitative Performance Measures

Weight	Factor	Performance Measure	Incentive Schedule
15%	Global Equity Performance	Excess return deviation in basis points relative to: Global Equity Performance Benchmark. {GLOBLIC – CPERSGE2}	-50 basis points = 0 -10 basis points = 1.0 +15 basis points = 1.5
30%	Focus List Performance	Excess annualized return of 3-year Focus List Company Portfolio with individual portfolio companies measured against the S&P 500 if the company is a member of that index at the time of Investment Committee approval or the Dow Jones Wilshire 4500 Index if the company was not a member of the S&P 500 at the time of Investment Committee approval. Measures annualized return performance of the 2006, 2007, and 2008 Focus List Companies up through June 30, 2009.	0 basis points = 0 +200 basis points = 1.0 +400 basis points = 1.5
45%	Subtotal	Quantitative Measures	

Qualitative Performance Measures

Weight	Factor	Performance Measure	Incentive Schedule
20%	Global Principles of Accountable Corporate Governance	Identify and implement material additions or deletions to CalPERS' Global Principles of Accountable Corporate Governance, that improve overall global governance, to the Investment Committee for approval by June 30, 2009. Achievement is measured by obtaining Investment Committee Approval.	IC Approval = 1.5
20%	Preliminary Focus List	Create analytical tools to document the effectiveness of the engagement process: <ul style="list-style-type: none"> Develop an analytical model to measure the success of the engagement process with preliminary Focus List companies. Develop an analytical model to measure the security price performance of preliminary Focus List companies that respond favorably to the engagement process. 	1 model approved by SIO = 1.0 2 models approved by SIO = 1.5

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Qualitative Performance Measures

Weight	Factor	Performance Measure	Incentive Schedule
15%	Leadership	<p>Demonstrate a commitment to leadership and ongoing communication within the Investment Office and in the external investment community as follows:</p> <ul style="list-style-type: none"> • Employee Performance and Development – By 6/30/09 ensure 90% completion rate for annual performance appraisals and employee development plans’. • Employee Mentoring and Recognition – By 6/30/09, take proactive steps to coach and mentor employees, provide succession planning, and acknowledge staff (e.g. through activities such as providing training and development opportunities, holding recognition events, and effectuating the transfer of knowledge) • 360 Feedback Process <ul style="list-style-type: none"> ▪ By 12/1/08 begin the individual 360 feedback survey assessment process. ▪ By 2/1/09 identify one to two areas of personal development. ▪ By 6/30/09, participate in all personal coaching sessions provided and complete the development opportunity identified. • Investment Office Strategic Initiatives and Cultural Alignment – Ensure the successful implementation of the strategy and cultural alignment efforts by completing the following: <ul style="list-style-type: none"> ▪ By 9/30/08, identify from our cultural profile an area in which we need to improve our culture and implement an improvement in my area by 3/30/09. ▪ By 12/31/08, participate in a cultural reinforcement session with the Investment Office. ▪ By 6/30/09, participate in the implementation of at least one Investment Office strategic initiative. ▪ By 6/30/09, contribute to healthy dynamics and cultural alignment in the Investment Office (e.g. by demonstrating productive participation in meetings, communicating across asset classes, and clearly setting and communicating priorities) • External Investment Community – By 6/30/09, represent CalPERS in the external investment community through a meaningful and substantive engagement as follows: <ul style="list-style-type: none"> ▪ Serve on at least one external board or committee; or ▪ Conduct at least one presentation at conference or similar event; or ▪ Write an article. 	From Schedule
55%	Subtotal	Qualitative Measures	
100%	Total	Quantitative and Qualitative Measures	